May 16, 2013

Commissioner Cheryl A. LaFleur

STATEMENT

FEDERAL ENERGY REGULATORY COMMISSION

Docket No. RM12-22-000
Item No. E-5

Statement of Commissioner Cheryl A. LaFleur on Reliability Standards for Geomagnetic Disturbances

"As I have previously observed, geomagnetic disturbances (GMD) caused by solar storms exemplify "high impact low frequency" threats to the reliability of the Bulk-Power System. While there is debate over whether a severe GMD event is more likely to cause the system to break apart due to excessive reactive power consumption or to collapse because of damage to high-voltage transformers and other vital equipment, there is no debate that the wide-spread blackouts that could result under either scenario are unacceptable. I fully support today's Final Rule, and thank the team for acting on this so promptly. It is very timely, not just because we are in a period of intense solar activity for the next two weeks—but in a more meaningful way, because we do not know when these threats may impact us, so it makes sense to get started now on preparing for them.

"Today's Final Rule largely adopts the proposals set out in our October 2012 Notice of Proposed Rulemaking. However, it reflects four significant changes or clarifications to reflect comments we received:

1. The Final Rule extends the filing time for both the first and second stage standards. NERC will have 6 months from the effective date of today's order to file the first-stage operational planning standard and 18 months to file the second stage standards. The Final Rule also makes clear that the Commission expects NERC to propose a multi-phased and prioritized implementation plan for the second stage standards.

2. The Final Rule clarifies that the second stage standards must identify "benchmark GMD events" that specify what severity GMD events a responsible entity will be expected to protect against. The Final Rule gives industry and NERC the flexibility to identify technically justified benchmarks through the standards development process.

3. The Final Rule makes clear that the Commission is not prescribing a specific technology or methodology for the second-stage standards, but rather directing industry and NERC to apply their technical expertise to develop and implement a plan to protect against instability, uncontrolled separation, or cascading failures of the Bulk-Power System caused by a benchmark GMD event. In the Final Rule, the Commission explicitly recognizes that the nature of this threat may require a range of approaches and responses depending on geographic location, equipment condition, system configuration, and other factors.

4. Finally, the Commission clarifies that it does not intend to impose "strict liability" for outages caused by GMD events of unforeseen severity. In the Final Rule, the Commission recognizes that our understanding of GMD is still evolving, and that reliability standards cannot be expected to protect against all GMD-induced outages. However, the Commission calls on industry and NERC to develop robust and technically justified standards that reflect our best knowledge at this time, and whose goal is to protect against instability, uncontrolled separation, or cascading failures of the Bulk-Power System caused by a benchmark GMD.

"I appreciate all the work that NERC, the industry, and other stakeholders have done and are still doing to better understand GMD events. While the work of monitoring and studying GMD must continue, today's order makes clear that we must also begin to develop and implement reliability standards that address and mitigate the threats posed by

GMD events. At a time when we are investing heavily in our transmission grid, we can and should also invest to increase its resilience for future generations. I believe today's order represents an important step in that direction.

"Thank you."